



***Promoting Economic Development Through Civil Society
Phase II***

(DRAFT OF THE FINAL REPORT)

**Prishtinë
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Summary of Project Statistics

- 5 IRTF sessions were organized: 400 representatives of different institutions and civil society were involved, about 100 contributed with presentations and discussions
- 7 follow-up RT discussions were organized: 300 representatives participated, about 120 contributed with presentations and discussions
- 12 research reports were presented
- 7 policy areas were influenced
- About 270 ITA consulting days for advancing policy research, advocacy and Riinvest capacities
- About 150 policy recommendations were made concerning 11 research areas
- 4100 respondents were surveyed
- Reports were published and disseminated: 4700 copies in Albanian and English
- A team of 150 students were trained for survey enumeration and participated in the field research
- Summer Schools: four programs, 110 participants in two/three week programs from 13 different institutions (5 ministries, 6 municipalities, SOK, BPK, Economic Faculty and Riinvest)
- Riinvest Income: in 2004 compared to 2002, showed an increase of 23%:
2002: 525,488 Euro (78% USAID/CIPE Inst. Grant)
2004: 645,000 Euro (42% USAID inst. grant)
- Riinvest Staff: 2002: 22
2004: 26
- Project budget: \$845,848

Introduction

On September 30, 2002 Riinvest signed a Cooperation Agreement (167-A-00-02-00102) for the implementation of the second phase of the project “Promoting Economic Development through Civil Society”. This project aimed to build upon the first phase of the project implemented through cooperation with Riinvest and a partnership with CIPE (the Center for International Private Enterprise) of Washington, D.C. The Cooperation Agreement with USAID demonstrated a new phase in Riinvest’s development - to enter into a direct business relationship with USAID in the implementation of large projects.

The period of this two-year project was: October 1, 2002 – September 30, 2004. The activities of the project were determined by the actions necessary for completing the project objectives and were detailed in Annual Work Plans. Riinvest has submitted regular quarterly reports. These reports have described the activities undertaken and the progress in realizing the project milestones.

The objective of this final report is to focus on the project’s impacts and successes in achieving the project objectives through the presentation of necessary data according to

evaluation indicators. The report starts by presenting the overall goal and objectives and in the second part presents a narrative description of the impact of the project, supported by statistical data, by the main project components: policy research, advocacy, Riinvest institutional development, TA for Business Associations and the AKB (the Alliance of Kosovar Businesses). In the third part of the report the achievements are compared with targeted indicators, while in the fourth part an overview of budget aspects is given.

1. The Goal and Objectives of the Project

The overall goal of the project was to promote the business and policy communities' efforts to advance economic policy reform leading to a market economy and the economic sustainability of Kosova.

The objectives of the project:

1. To contribute to an improvement in the environment for economic policy reform and the building of a macroeconomic and structural policy framework for sustainable economic development through research and advocacy activities;
2. To support private sector development by promoting a culture of entrepreneurship and SME development;
3. To enhance Riinvest's institutional development through the building of research capacities and staff development towards a sustainable organization; and
4. To promote the engagement of the business community in the policy-making process through the support of and cooperation with the Alliance of Kosovar Businesses.

In order to accomplish these objectives Riinvest developed a wide range of activities including: research activities, advocacy, ITA for Riinvest institutional development and for increasing its capacities, TA for Business Associations/AKB development and education.

A. Research reports

Following the establishment of project objectives and inputs from the Riinvest Business Advisory Board and other policy experts and through intensive consultation with the Office of Economic Growth at the USAID Mission in Prishtina, and through the annual Work Plans, areas for policy research were identified. The work plans also reflected the main business concerns detected through the Riinvest annual SME survey.

During the life of the project Riinvest have presented and published the following research reports:

- Labor Market and Unemployment in Kosova,
- Budget System of Kosova - Policies and Sustainability,
- Developments in Building a Taxation Policy (Follow-up report),
- Developments in SME Financing (Follow-up report)

- Trade Policies and Export Promotion
- Education and Economic Development
- Rural Development in Kosova
- Local Economic Development in Kosova (Follow-up Report)
- FDI (Follow-up report)
- Privatization of SOEs in Kosova (Forwards and Backwards)
- Annual SME Report 2002
- Annual SME Report 2003
- Privatization Monitoring and Transparency (Follow-up report)

In order to prepare these research and follow-up reports, Riinvest conducted comprehensive research and consultation with the respective sectors of the PISG and UNMIK, organized a series of formal and informal meetings and also engaged international experts/consultants in order to have the relevant inputs on advanced theoretical approaches and practical achievements from both market economies and transition countries. Bearing in mind the status, volume and quality of official statistical production, Riinvest had to make very comprehensive efforts through survey analyses in order to create a good foundation for its research reports. Throughout the period of the project six comprehensive surveys have been undertaken:

- SME Annual Survey -600 private companies (December 2002 & December 2003)
- Labor Market Household Survey – 1250 Households (December 2002)
- Survey of 120 Export Companies (July 2003)
- Higher Education Students Survey (January 2003)
- Survey with University and Higher School teachers (January 2003)
- Rural and Urban Household Survey (February 2004)

The importance and impact of these research activities should be seen in the context of the absence of this kind of report in Kosova. The research reports produced by Riinvest throughout this project have been a source of reference for many important actors: PISG, international organizations, consulting organizations, foreign and domestic media and they have also been used at the University of Prishtina, especially in postgraduate courses of economics, finance and management.

B. Advocacy activities

Based on the research described above, intensive activities to further research policy recommendations and dissemination have been conducted. Advocacy activities have been realized through three main advocacy vehicles: International Roundtable Forums (IRTF), Roundtable discussions (RTD), and the Business Advisory Board (BAB). In addition advocacy activities have been supported by intensive publications and very good media outreach.

(1) International Round Table Forums (IRTF) were focused on discussing comprehensive research reports and policy recommendations. They brought together between 80-100 attendants from policy actors (PISG, UNMIK), international organizations (WB, IMF, USAID, EAR), civil society, business community organizations

and the media. During five sessions of the IRTF throughout the project period 400 representatives of different institutions and civil society attended and more than 100 contributed with presentations and discussions.

(2) Round Table Discussions (RTD) aimed to follow-up the progress and changes as a result of policy research and recommendations concerning the issues addressed during the first phase of the project (October 2000 – September 2002). They included open discussion between the government, Pillar IV of UNMIK, policy experts and the business community. In 7 sessions of RTD about 300 representatives of different stakeholders participated and about 120 contributed with discussions and presentations.

(3) Business Advisory Board (13 members). Through its 8 quarterly meetings the BAB has followed the project's progress, provided feedback and recommendations for reports and also about the focus of the research and advocacy activities.

Having a good background and foundation for advocacy activities, the intention of Riinvest was to create partnerships and alliances with civil society and the business community, aimed at increasing the effects of advocacy and creating a critical mass of pressure for necessary changes in the areas of economic policies and other segments of the business environment. In this respect the cooperation with the AKB and Forum 2015 (a partnership of Riinvest, KACI and KFOS, aiming to address issues of importance for including Kosova in the process of Euro- Atlantic Integration) was of great importance.

The dissemination of research reports after their publication has also served as a very good advocacy tool: 10 reports in both Albanian and English have been published, with about 4700 copies, and disseminated for free to policy makers, foreign visitors from international organizations, the press and university and faculty libraries.

There has been very good media outreach during public events and round table discussions and also through the written contributions and frequent interviews of Riinvest project leaders and researchers. The press have regularly sought the opinion of Riinvest alongside that of UNMIK and the government when addressing key policy issues, especially: privatization, taxation, financing, utilities, education etc. This has had a great impact on improving public opinion information and knowledge.

It can be concluded that a combination of solid research outcomes together with effective advocacy vehicles have resulted in the project building a very good image with an impact on improving the ground for policy-making and also in bringing more inputs from different stakeholders of Kosovar society into policy-making. The main areas of impact are presented below.

C. Education: Summer Schools

Educational activities were focused on improving the knowledge of economics and entrepreneurship policies and culture. Four programs of the Riinvest Summer School were organized in English with the participation of foreign professors:

- Two Rounds (2003 & 2004) of the Riinvest Summer School on Entrepreneurship covering such areas as: Entrepreneurship policies, SME Development, Local Economic Development, Business Development; a two-week program in English with International Professors and Experts

- Two Rounds (2003 & 2004) of the Riinvest School of Economics covering such areas as: Research Methodology, National Accounts, Transitional Economic Policies and Economic Growth Theories;

The 110 participants were recruited from 13 different institutions (5 ministries, 6 municipalities, SOK, BPK, Economic Faculty and Riinvest)

D. Riinvest institutional development

Riinvest has continued its development. This was a period of consolidation of its internal organizational structure and managerial procedures, staff development and a further strengthening of its position in Kosovar society as an important and respected institution. A modern manual of policy procedures has been developed and implemented. The Strategic and Business Plans approved in a previous project phase have been updated and modified on a yearly basis. During August and September 2004 new business plans (2005-2007) which reflect the new situation under the conditions of the absence of the USAID institutional grant have been developed.

Riinvest income has increased by about 23% in 2004 compared to 2002. Riinvest achieved the objective of diversifying its income streams, since during 2002 the USAID/CIPE grant amounted to about 78% of Riinvest's income. By the end of 2004 this share is expected to be about 42%. Riinvest now has more capacity to build its sustainability. However the markets for its main competitive product are not in place and it could be challenged by difficulties in this area.

In terms of staff increase this period was more stable compared to the first phase. The number of staff increased from 22 (2002) to 26 (2004).

Strong ITA support for capacity development and an increase in the quality of research was realized through project activities. About 270 ITA consulting days, including international experts mainly from USA, UK and CE were focused on assisting in developing research in the areas described under (A) above, in improving research methodology and also in supporting Riinvest's institutional development. In addition to this 8 young research staff under the cooperation with OSI HESP-Budapest and Staffordshire University (UK) and the Tempus Program were supported for their masters and PhD studies.

E. Support for AKB

While the first phase of the project concentrated in supporting individual business associations in different Kosovar regions this phase concentrated on a creation of an umbrella organization. Through the ITA and TA from Riinvest the Alliance of Kosovar Businesses (AKB) was created including some 17 different business associations and also well known individual businesses. The AKB has achieved good visibility and created a vehicle for a voice for the business community that is authentic, unified and stronger, representing its members vis-à-vis policy makers and in the creation of partnerships at different levels. Since its inception the AKB has organized many events, it has established relations with many institutions and created channels for communication and impact with the government. It has contributed to a better understanding of the business

environment. It has especially focused on improving taxation and overcoming trade obstacles, especially concerning exports. “The Business Week of Kosova” 2003 was a very effective event aimed at improving the position of domestic products and manufacturers. It included both: advocacy for further improvements in the business environment and in increasing the desirability of consumers for domestic products. This is expected to become an annual event.

II. Description of Main Project Areas of Impact

The project has had an impact on several very relevant areas. Their summary could include:

- The project has been seen as a unique and visible event by the public and policy makers during the past 4 years (the first 2 year phase was implemented in cooperation with CIPE)
- It has improved the knowledge and information of policy makers
- It has educated public opinion and the media
- It has provided sound policy research and analysis and recommendations for quality debates on key issues (mentioned above under A) between key stakeholders: the Business Community, the Government, UNMIK, International Organizations, Civil Society, contributing to a better understanding of the role of different key players in the reform process
- It has had an impact on the commencement of the Privatization Process, the restarting of the privatization process and the improvement of Policy Procedures
- It has supported the Law on the Chamber of Commerce with voluntary membership, which is yet to be approved
- The Project has contributed to the improvement of the tax policy through widening the taxation base (tax on property, tax on wages, tax on profits)
- There is now increased awareness amongst policy makers for tax incentives for investment and job creation – tax incentives on imports of equipment and capital goods have finally been approved
- It has supported greater competition in the SME credit market and has advocated the introduction of Mortgage Regulation
- It has provided a sound analytical basis for understanding the current business environment through the annual survey and report on SME development (the 2002 and 2003 report)
- Recommendations included in a Higher Education Strategy prepared by the Ministry of Education (Report and recommendations on Education and Economic Development)
- Recommendations included in a Strategy for Spatial Development (Rural Development Report etc.)
- Increased awareness about the consumption of domestic products
- The project has provided the opportunity for qualitative international technical assistance in developing the research capacities of Riinvest

- Organizing education programs (Riinvest Summer Schools on Entrepreneurship and Economics) with the participation of Riinvest staff, public officials from different ministries, BPK as well as university staff
- It has contributed to the advancement of the organization of the business community and its participation in policy making through the activities of the AKB
- It has contributed to the strengthening of Riinvest's position and building its financial sustainability.
- Finally, the project outputs were widely used as an input for the new government program for 2005-2008

III. Project Milestones and Targeted Indicators

Project Milestones

Riinvest established Annual Work Plans for the implementation of pre-determined project milestones for key project activities. These milestones have been satisfactorily achieved. Certain modifications during the project life, mostly in postponing events, were agreed due to technical reasons or the necessity for further consultation and research. In determining the topics to be researched some modifications were also undertaken following BAB inputs and also consultations with EGO USAID office. The Banking System was replaced by Trade Policies, and Export Promotion and Education and Economic Development as optional research topics replaced Legislation Priorities.

All planned Activities were implemented. In addition Riinvest also realized additional activities (within the same original Project Budget and Time Schedule):

- Two Household Surveys (Labor Market & Rural Development)
- Business Week
- Round Table: How to Increase Manufacturing and the Consumption of Kosovar Products
- Round Table & Research Report: Privatization in Kosova: Forwards and Backwards

Achievement of targeted indicators

Evaluation indicators that were targeted within the work plans were also satisfactorily met. The table below gives an overview on the targeted and realized indicators.

Area	Targeted indicator	Realized
Number of sessions of Business Advisory Board	6	8
Number of sessions of IRTF	5	5
Number of follow-up Round Table Discussions	6	7
Number of policy areas covered by recommendations	6	10
Number of Business Assoc. that participate in the BAB	5	5
Number of Business Assoc. that participate at IRTF	10	12
Number of areas where recommendations enacted changes	6	7
Number of staff received training on research and graduate level at universities abroad	5	8
Diversification of founding sources (% of Riinvest income represented by USAID grant)	2002: 78%	2004: 42%
Policy reform areas impacted by the AKB alliance with Riinvest	2	3

IV. Financial / Budget Issues

The overall project budget was \$848,845. On September 30, 2004 the unspent amount of \$16,821 remained in the separate project account. The unspent amount is a result of lower costs (compared to budget allocations) for consulting fees for international consultants and lower accommodation costs for foreign consultants.

Riinvest proposed and it has been accepted that part of the unspent budget is to be used for an external independent audit of the Riinvest project account. The selection procedure is underway. The offered proposals rank from \$10,550 – \$13,000.

A slight modification of the main budget categories was necessary during the approval of the second year work plan and budget.

Overview of Budget Expenditures \$

Main budget categories	Original budget Plan	Modified with year II budget	Budget spending to Sept. 30, 2004	Balance
Riinvest direct	624,400	643,365.32	643,339.12	26.42
ITA	205,470	186,017.70	169,229.96	16,787.74
Business assoc./AKB	18,975	19,461.76	19,454.75	7.01
Total	848,845	848,845	832,023.83	16,821.17

Recommendations

1. Riinvest and the USAID Mission in Prishtina should make further use of the research and recommendations produced by the project to enhance its impact in advancing the business environment in Kosova through current projects and projects to be launched.
2. To continue cooperation in improving business performance in Kosova, especially the manufacturing sectors with export potential through the project Kosova Cluster Business Support
3. To continue support for the AKB by enhancing its sustainability
4. To follow up the progress of Riinvest in facing challenges for its sustainability without the USAID grant